

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: May 2, 2011

Monthly General Fund Receipts through April 30, 2011

The spreadsheet at the end of this document presents FY 2011 General Fund total net receipts with comparable figures for actual FY 2010. The figures can be compared to the FY 2011 estimate of \$5.767 billion set by the Revenue Estimating Conference (REC) on March 25, 2011. The FY 2011 projection is an estimated increase of \$274.3 million (5.0%) compared to actual FY 2010 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

FY 2011 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = + 4.99%						
Year-to- Date Ending:	Year-to- Date FY 2010	Year-to- Date FY 2011	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
Oct	\$1,777.6	\$1,813.9	\$36.3	2.0%	\$88.8	-\$52.5
Nov	2,318.6	2,385.7	67.1	2.9%	115.8	-48.7
Dec	2,751.0	2,855.6	104.6	3.8%	137.4	-32.8
Jan	3,168.1	3,378.1	210.0	6.6%	158.2	51.8
Feb	3,607.6	3,824.8	217.2	6.0%	180.2	37.0
Mar	3,985.2	4,202.4	217.2	5.5%	199.0	18.2
Apr	4,354.6	4,530.5	175.9	4.0%	217.5	-41.6
May	4,999.0					
Jun	5,504.0					
Year end	5,492.8					

Overview of Current Situation

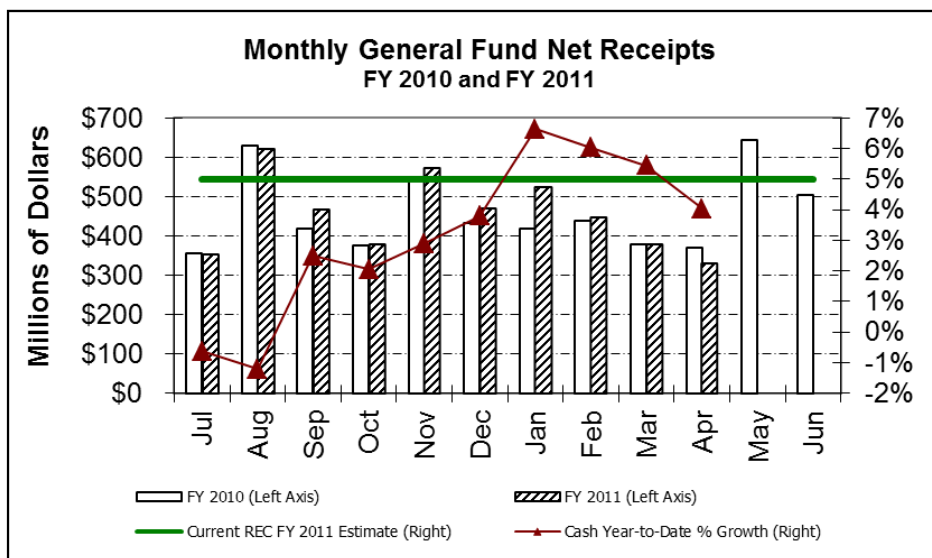
April 2011 net General Fund revenue was \$41.5 million below the previous April. The month was negatively impacted by several calendar and deposit date effects, with April 2011 ending on a weekend and a transfer from the Unclaimed Property Fund that occurred in March instead of April this year. Fee revenue was also impacted by deposit date changes. Tax refunds were up for the month and corporate tax deposits were down.

For the cash fiscal year, withholding tax and sales/use tax deposits are strong but corporate tax receipts are significantly negative and tax refunds are above expectations. With the addition of a negative April, growth is now almost one percentage point below the REC estimate for the full fiscal year.

FY 2011 Compared to FY 2010

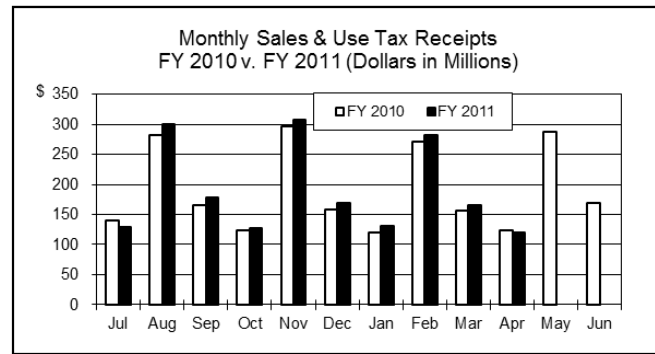
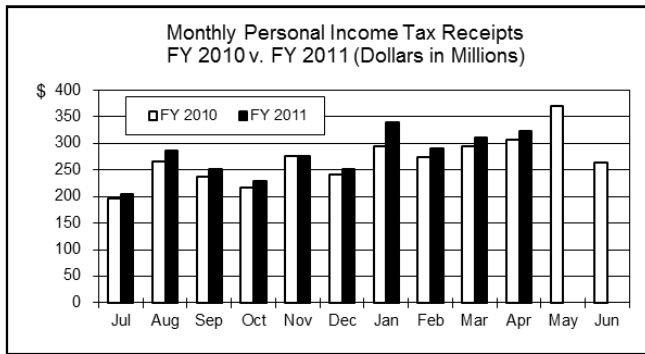
Year-to-date FY 2011 total net receipts (excluding transfers) increased \$175.8 million (4.0%) compared to FY 2010. Major revenue sources and their contribution to the FY 2011 change include:

- Personal income tax (positive \$162.0 million, 6.2%)
- Sales/use tax (positive \$70.9 million, 3.9%)
- Corporate tax (negative \$33.8 million, - 11.0%)
- Other taxes (positive \$4.1 million, 1.2%)
- Other receipts (negative \$23.5 million, - 7.5%)
- Tax refunds not including school infrastructure refunds (positive \$0.7 million)
- School infrastructure sales/use tax refunds (negative \$4.6 million)



Personal Income Tax revenues received in April totaled \$324.2 million, an increase of \$17.4 million (5.7%) compared to April 2010.

The FY 2011 REC income tax estimate of \$3.435 billion represents a projected increase of 6.2% compared to actual FY 2010. Through April, total income tax receipts increased 6.2%. By subcategory, withholding payments increased \$130.3 million (6.2%), estimate payments increased \$15.1 million (5.4%), and payments with returns increased \$16.6 million (8.1%). The following chart compares FY 2011 monthly income tax receipts with FY 2010.



Sales/Use Tax receipts received in April totaled \$119.5 million, a decrease of \$4.9 million (- 3.9%) compared to April 2010.

The REC estimate for FY 2011 sales/use tax receipts is \$2.395 billion, an increase of 4.4% compared to actual FY 2010. Through April, sales/use tax receipts increased 3.9%. The preceding chart compares FY 2011 monthly sales/use tax receipts with FY 2010.

Corporate Income Tax receipts received in April totaled \$38.0 million, a decrease of \$20.2 million (- 34.7%) compared to April 2010.

The REC estimate for FY 2011 corporate tax revenue is \$386.2 million, a decrease of 0.8% compared to actual FY 2010. Through April, corporate income tax receipts decreased 11.0%.

Other tax receipts received in April totaled \$26.1 million, a decrease of \$5.8 million (- 18.2%) compared to April 2010. Inheritance, cigarette, and franchise (bank) taxes all decreased significantly in April.

The REC estimate for FY 2011 other tax revenue is \$437.2 million, an increase of 0.8% compared to actual FY 2010. Through April, other tax receipts increased 1.2%.

Other receipts (nontax receipts) received in April totaled \$25.4 million, a decrease of \$11.8 million (- 31.7%) compared to April 2010. Miscellaneous receipts decreased \$4.9 million, reversing a large increase shown in March. Fee income was down \$6.0 million for the month, with the large drop due to greatly reduced deposits of Department of Commerce fees (insurance, utilities, and racing and gaming).

The REC estimate for FY 2011 other receipts revenue is \$324.4 million, a decrease of 9.7% compared to actual FY 2010. Through April, other receipts decreased 7.5%.

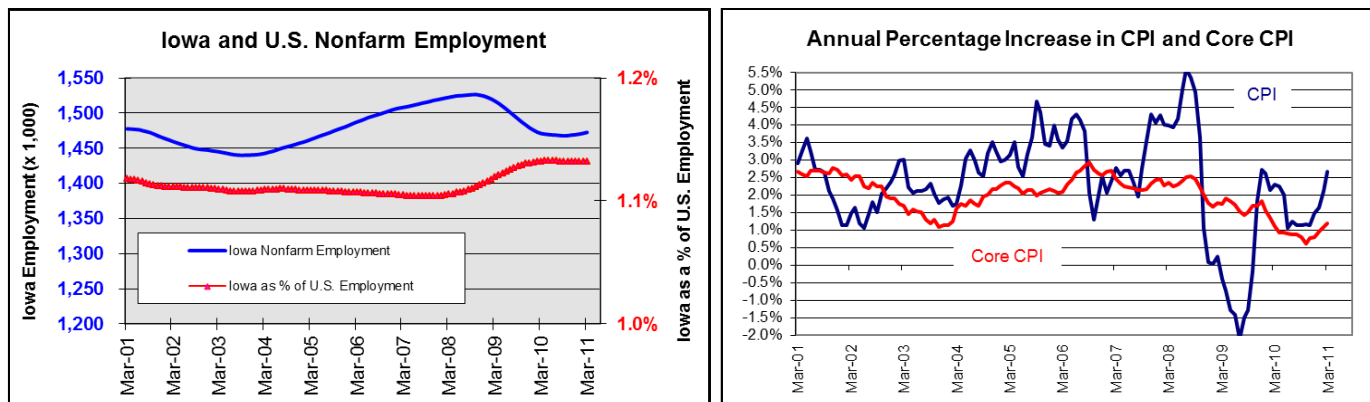
Tax Refunds issued in April totaled \$177.1 million, an increase of \$19.7 million (12.5%) compared to April 2010. Cash year-to-date, regular tax refunds decreased \$0.7 million.

Status of the Economy

Iowa nonfarm employment was reported at 1,465,200 for the month of March (not seasonally adjusted), 15,400 higher (1.1%) than March 2010.

Iowa's 12-month average employment is presented as a blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, 47,700 above the peak (January 2001) prior to the previous recession. The current 12-month average reading is now 1,472,600, resulting in an annual average Iowa nonfarm employment level 53,800 below the October 2008 peak and 6,100 below the January 2001 peak. This situation is not unique to Iowa, as current U.S. nonfarm employment is also below the peak experienced prior to the 2001 U.S. recession.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment as a red line. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. nonfarm employment has been improving since the start of the recession in December 2007; however, the percentage has been relatively flat since March 2010.



The Consumer Price Index (CPI-U) through March 2011 was 223.5 (1983/84=100). Consumer prices increased 1.0% in March (not seasonally adjusted) and the annual rate of inflation now stands at 2.7%. The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. Although the percentage increase in the CPI has increased significantly in recent months, at 2.7%, the annual inflation rate is still low compared to much of the time period since the mid-1960s.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.3% in March and totals 1.2% year-over-year. With the onset of the recent recession, the annual core inflation rate has been very low and has now been below 2.0% since December 2008. For the two components excluded from the core rate, energy prices are up 15.5% year-over-year while food prices are up 2.8%.

Information related to State General Fund receipts is available on the Fiscal Services Division's website at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2010 vs. FY 2011 July 1 through April 30 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 10 Actual Compared to FY 11 REC Estimate		
	FY 2010	FY 2011	Year to Date % Change	April % Change	Actual FY 2010	Estimate FY 2011	Projected % Change
Personal Income Tax	\$ 2,601.5	\$ 2,763.5	6.2%	5.7%	\$ 3,235.9	\$ 3,435.0	6.2%
Sales/Use Tax	1,836.5	1,907.4	3.9%	-3.9%	2,293.0	2,394.6	4.4%
Corporate Income Tax	306.4	272.6	-11.0%	-34.7%	389.3	386.2	-0.8%
Inheritance Tax	56.7	52.7	-7.1%	-24.5%	67.4	62.0	-8.0%
Insurance Premium Tax	47.6	58.5	22.9%	0.0%	88.6	93.0	5.0%
Cigarette Tax	168.6	162.3	-3.7%	-1.7%	206.1	202.4	-1.8%
Tobacco Tax	21.2	22.6	6.6%	-21.7%	26.0	27.7	6.5%
Beer Tax	11.9	11.8	-0.8%	0.0%	14.4	14.3	-0.7%
Franchise Tax	24.3	25.1	3.3%	-68.4%	31.6	36.8	16.5%
Miscellaneous Tax	-0.6	0.8	0.0%	0.0%	-0.4	1.0	0.0%
 Total Gross Taxes	 \$ 5,074.3	 \$ 5,277.4	 4.0%	 -2.6%	 \$ 6,352.0	 \$ 6,653.0	 4.7%
 Institutional Payments	 12.4	 7.7	 -37.9%	 -44.4%	 14.8	 14.9	 0.7%
Liquor Profits	68.4	74.6	9.1%	-5.6%	80.3	83.7	4.2%
Interest	3.8	2.7	-28.9%	-94.7%	4.0	2.0	-50.0%
Fees	43.0	27.5	-36.0%	-73.2%	47.8	26.0	-45.6%
Judicial Revenue	87.0	80.0	-8.0%	14.3%	108.6	101.6	-6.4%
Miscellaneous Receipts	32.7	31.3	-4.3%	-68.1%	37.8	30.2	-20.1%
Racing and Gaming Receipts	66.0	66.0	0.0%	0.0%	66.0	66.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 5,387.5	 \$ 5,567.3	 3.3%	 -4.6%	 \$ 6,711.4	 \$ 6,977.4	 4.0%
Accrued Revenue-Net					13.1	13.9	
Tax Refunds *	-726.6	-725.9	-0.1%	12.5%	-859.1	-826.0	-3.9%
School Infrast. Refunds *	-306.3	-310.9	1.5%	-11.6%	-372.5	-398.1	6.9%
 TOTAL NET RECEIPTS	 \$ 4,354.6	 \$ 4,530.5	 4.0%	 -11.2%	 \$ 5,492.9	 \$ 5,767.2	 5.0%
<p>The Actual FY 2010 column is now final.</p> <p>* For FY 2010 and FY 2011 Year-to-Date columns, refunds are presented on a cash basis. For FY 2010 Actual and FY 2011 Estimate, refunds are presented on a fiscal year basis.</p>							